



Maximizing Our Resources To Build A Foundation for the Future

CAPITALIZING ON CHANGE

IN SEPTEMBER 2002, Washington State Ferries (WSF) unveiled four long-term strategic goals that make up the elements of a new business plan. The 5 + 5 + 5 business plan means that the ferry system is responsible for reducing costs by 5%, capping ferry fare increases at 5% and generating 5% in new revenues with a comprehensive retail, marketing and advertising program. Under this new plan, the ferry system will be able to cover 90% of its operating costs by 2008 from revenues generated by the ferry system (currently, we cover approximately 69%).

Refocusing attention on our core business to ensure the viability of the ferry system.

Changes since the business plan was announced, most notably the outcome of the vote on Referendum 51, require us to adjust our overall plan. The ferry system dollars earmarked in the referendum would have provided funding for much needed preservation and new construction. The funding for these programs may not be available, but the need remains urgent for Washington State Ferries. Without money for new boats we are faced with the potential of pouring millions of dollars into four of the oldest vessels in the fleet just to keep our current level of service for a few short years.

If our aging vessels are not replaced and our terminals are not properly maintained, we will no longer have a viable ferry system.

The Capital Funding Plan

The Capital Funding Plan leverages the 5+5+5 business plan formula previously mentioned. We've added a new chapter to the plan that addresses our immediate capital funding needs by making changes to

Service Reductions + Vessel Retirements = Less Preservation Work

Less preservation work = Funding For Critical Capital Investments

our current service plan. It's a straightforward formula: service reductions + vessel retirements = less preservation work. Less preservation work = funding for critical capital

investments. These changes reduce our operating costs and ultimately provide the ability for Washington State Ferries to self-finance some of our most urgent capital needs.

The
Capital
Funding Plan

is also based on continuing the financial assumptions made in the Washington State Department of Transportation and WSF current law budget and ten-year financing plan.

Phase One Highlights

Phase One is effective June 15, 2003 and takes us through 2005. It includes the vast majority of the service changes. These particular changes were identified because they provide substantial savings in operating costs, affect the fewest number of riders, leave no one without a transportation alternative and ultimately ensure a viable ferry system.

Adopt a 12-week Winter Schedule Season (January – late March) Net annual savings: \$421, 000.

- Discontinue the last two roundtrips, Monday through Thursday, on the Port Townsend/Keystone route.
- Discontinue third boat service on the Fauntleroy/Vashon/Southworth route on winter weekends.
- Discontinue Sidney, B.C. (International Service) for the winter schedule season.
- Discontinue San Juan Island inter-island vessel service on Saturdays and Sundays; adjust other vessel schedules to accommodate the reduced winter weekend inter-island demand.
- Discontinue the 6:35 p.m. round trip from Anacortes to Lopez, Shaw and Orcas, Monday – Thursday and Saturdays.

Make year-round changes on several routes. Net annual savings: \$6,175,000.

- Discontinue all current passenger-only ferry service on the Seattle/Vashon and the Seattle/Bremerton routes.
- Discontinue the 1:00 a.m. departure from Edmonds to Kingston on Friday and Saturday nights.
- Continue the schedule modifications and reduced fuel costs on the Seattle/Bainbridge Island ferry route that were implemented in the fall of 2002.

Place two vessels in standby status. Net annual savings: \$1,250,000.

- Place the M/V EVERGREEN STATE and the M/V HYAK on standby status.

Surplus five passenger only and two auto ferries.

Summer 2003
Institute service
reductions

July 2005
Construction of
Keystone terminal
begins

July 2006
Vessel
construction
program begins

Phase Two Highlights

Phase Two is a longer-range plan that takes us through 2013. Phase Two includes building at least two new boats (possibly three) and relocating an existing terminal. These capital projects are critical to the ferry system infrastructure. Remember, the money we save from implementation of Phase One provides funds for the work scheduled through 2013.



Phase Two of the plan spans the period from 2005 – 2013. During this phase, we will construct and take delivery of the new vessels and begin service at the new terminal. During this eight-year timeframe, we also expect to retire four more auto ferries and discontinue service to Sidney, B.C. We will be exploring the possibility of auto ferry service between Vashon and Southworth into Pier 52 (downtown Seattle) that could result in the permanent closure of the Fauntleroy ferry terminal. We will also be exploring a new focused approach to the maintenance facility located at Eagle Harbor and exploring alternative sites for the facility as suggested in a recent legislative oversight committee report.

- Construction of Keystone terminal begins July 2005
- Construction of New Vessel #1 begins July 2006 (\$86.6 mil)
- Construction of New Vessel #2 begins April 2007 (\$67.2 mil)
- New Vessel #1 delivered March 2008, in service June 2008 at Port Townsend
- New Keystone terminal completed June 2008
- New Vessel #2 delivered November 2008, in service February 2009 at Anacortes
- Sidney B.C. service transferred to another operator by summer 2009

March 2008

Delivery of first new vessel for service at Port Townsend

June 2008

Keystone terminal completed

November 2008

Second new vessel delivered for service at Anacortes

Summer 2009

Sidney, BC service transferred to another operator